

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AF-06 IO-11 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 SEC-01 USPS-01

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R 270957Z JAN 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 2043

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E.O. 11652: N/A

TAGS: OVIP, SZ

SUBJECT: VISIT OF COMPTROLLER OF THE CURRENCY JAMES E. SMITH

REF: BERN 0123, BERN 0267

1. COMPTROLLER SMITH, ASSOCIATE DEPUTY COMPTROLLER ROBERT R. BENCH, AND HAROLD D. SCHULER, DIRECTOR OF THE INTERNATIONAL BANKING GROUP IN THE COMPTROLLER'S OFFICE, VISITED SWITZERLAND JANUARY 21 AND 22 AS PART OF A FAMILIARIZATION TOUR WHICH ALSO TOOK THEM TO LONDON, LUXEMBOURG, AND WEST GERMANY. THEY MET HERE WITH PRIVATE BANKERS, GOVERNMENT TRADE POLICY OFFICIALS, AND WITH DR. FRITZ LEUTWILER, PRESIDENT OF THE SWISS NATIONAL BANK (SNB) AND TWO OFFICIALS OF THE SWISS BANKING COMMISSION - DR. ALBERT MATTER, PRESIDENT, AND DR. DANIEL BODMER, SECRETARY.

2. ALTHOUGH THE SNB IS NOT DIRECTLY RESPONSIBLE FOR BANK SUPERVISION UNDER THE FEDERAL BANKING LAW - A FUNCTION RESERVED TO THE BANKING COMMISSION - DR. LEUTWILER AND HIS COLLEAGUES ARE RESPONSIBLE FOR ENFORCEMENT OF BANK REGULATIONS RELATED TO SWISS MONETARY AND CREDIT POLICIES.

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AS A CONSEQUENCE, HIS OFFICE CLOSELY FOLLOWS BANK ACTIVITIES.

HE SAID THAT IT IS BECOMING INCREASINGLY IMPORTANT FOR THE BANK SUPERVISORY AUTHORITIES IN VARIOUS COUNTRIES TO WORK MORE CLOSELY TOGETHER, AND VOLUNTEERED TO EXCHANGE INFORMATION, INCLUDING CONFIDENTIAL INFORMATION, WITH MR. SMITH.

3. DR. LEUTWILER SAID THAT THE RECENT REVELATIONS IN THE PRESS THAT EXAMINERS FROM THE COMPTROLLER'S STAFF HAD FOUND THAT FIRST NATIONAL CITY AND CHASE MANHATTAN BANK WERE HAVING SOME PROBLEMS HAD CAUSED CONSIDERABLE CONCERN IN SWISS BANKING CIRCLES. SEVERAL SWISS BANKS AND CORPORATIONS HAD INQUIRED OF DR. LEUTWILER WHETHER IT WAS STILL PRUDENT TO DO BUSINESS WITH CITIBANK AND CHASE, AND WITH AMERICAN FINANCIAL INSTITUTIONS IN GENERAL. DR. LEUTWILER SAID HE HAD RESPONDED TO SUCH INQUIRERS BY POINTING OUT THAT THE SWISS NATIONAL BANK MAINTAINS LARGE DEPOSITS WITH BOTH CITIBANK AND CHASE, AND HAS NO INTENTION OF TRANSFERRING THEM. HE ALSO NOTED THAT MR. SMITH'S PROMPT PUBLIC STATEMENT OF CONFIDENCE IN BOTH BANKS HAD BEEN EXTREMELY HELPFUL.

4. AN EXCHANGE OF VIEWS ON BANK REGULATION PRACTICES AND PROCEDURES TOOK PLACE DURING THE CALL AT THE BANKING COMMISSION. THE EXTENT TO WHICH THE COMPTROLLER EXAMINES BRANCHES AND SUBSIDIARIES OF US BANKS ABROAD WAS OF SOME INTEREST TO DRS. MATTER AND BODMER, AND THEY BRIEFLY DESCRIBED FOR MR. SMITH THE MINOR MODIFICATIONS OF THE COMMISSION'S AUTHORITY AND OPERATIONS TO TAKE EFFECT APRIL 1.  
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